

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-12 ADP-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-02 INR-09

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-14 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

SAL-01 OMB-01 SIL-01 OPIC-12 OIC-04 RSR-01 /215 W

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R 130825 Z MAR 73

FM AMEMBASSY BERN

TO SECSTATE WASHDC 7405

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY VIENNA

AMEMBASSY MADRID

AMEMBASSY ANKARA

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

AMEMBASSY CANBERRA

AMEMBASSY ATHENS

AMEMBASSY DUBLIN

AMEMBASSY LISBON

AMEMBASSY HELSINKI

AMEMBASSY LUXEMBOURG

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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E. O. 11652: N/ A

TAGS: EGEN, OECD

SUBJ: SWISS GOVERNMENT VIEWS ON AGENDA FOR MARCH 19-20 MEETING
OECD EXECUTIVE COMMITTEE NEW STYLE (XCNS)

REF: STATE 041984 AND PREVIOUS

BEGIN SUMMARY. SPEAKING AS SENIOR SWISS TRADE OFFICIAL AND XCNS CHAIRMAN, JOLLES SAID HE FINDS LARGE MEASURE OF AGREEMENT WITH US ON MANNER IN WHICH XCNS CAN BE USED, AS WELL AS ON SPECIFIC AGENDA ITEMS FOR MARCH 19-20 MEETING. HE IS AWARE OF FRENCH DISLIKE FOR XCNS AND IS AFRAID CURRENT INTERNATIONAL MONETARY CRISIS WILL PREVENT EC FROM MAKING PREPARATIONS FOR XCNS MEETING. BELIEVES DISCUSSION MONETARY SITUATION COULD BE KOEFUL, WANTS TO CONCENTRATE ON UNDERLYING FACTORS TO INTERNATIONAL INVESTMENT, REGARDS SUTDY OF SAFEGUARDS AS URGENT, AND CONSIDERS IT APPROPRIATE TO DISCUSS EVOLUTION OF DC' S TRADE POLICY TOWARD LDC' S IN OECD. CONCERNED THAT DISCUSSION OF AGRICULTURE UNDER AGENDA ITEM 3 WILL DEFLECT ATTENTION FROM SAFEGUARDS, INTERESTED IN US VIEWS ON MANNER TO PROCEED ON NTB' S IN OECD BUT SKEPTICAL THAT POLITICAL REALITIES WILL PERMIT USG TO MAKE MUCH PROGRESS, AND IS CAUTIOUS ON ESTABLISHMENT OF NEW AD HOC WORKING GROUPS. END SUMMARY .

1. DRAWING ON DEPARTMENT' S REFTEL AND MESSAGES REFERENCED THEREIN, ECONCOUNS REVIEWED PLANS FOR MARCH 19-20 XCNS MEETING AND US POSITION ON SPECIFIC AGENDA ITEMS WITH AMBASSADOR PAUL JOLLES, DIRECTOR SWISS TRADE DIVISION. ALTHOUGH JOLLES WILL NOT REPERESENT SWITZERLAND AT MEETING (SEE BERN' S 1003), HE WAS HAPPY TO DISCUSS AGENDA FOR MEETING ON BASIS HIS POSITION AS SENIOR TRADE POLICY OFFICIAL IN SWITZERLAND AS WELL AS XCNS CHAIRMAN. HE FINDS LARGE MEASURE OF AGREEMENT BETWEEN US AND SWISS GOVERNMENT VIEWS ON MANNER IN WHICH XCNS CAN BE USED, AS WELL AS ON SPECIFIC AGENDA ITEMS.

2. JOLLES SAID HE IS " FULLY AWARE" OF FRENCH DISLIKE RFOR XCNS BECAUSE IT TENDS TO SPLIT UNITED EC FRONT. HE IS NOT YET INFORMED ON HOW EC MEMBERS PROPOSE TO HANDLE LIMITED OFFICIAL USE

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THEMSELVES WITHIN XCNS, BUT HAS BEEN STRUCK BY COMMUNITY' S LACK OF MOBILITY AND IS AFRAID THAT CURRENT INTERNATIONAL MONETARY CRISIS WILL HAVE PREVENTED TOP EC MEMBER OFFICIALS FROM CONCENTRATING ON PREPARATIONS FOR MARCH 19-20 MEETING.

3. RESPECTING SPECIFIC AGENDA ITEMS, JOLLES COMMENTED:

A. AGENDA ITEM 1 - INTERNATIONAL PAYMENTS SITUATION.
IN LIGHT OF EXTENSIVE DISCUSSION OF INTERNATIONAL MONETARY

SITUATION IN PAST TWO WEEKS, JOLLES EXPRESSED DOUBT THAT THERE IS ANYTHING IMPORTANT LEFT TO SAY ON SUBJECT. IN THE ABSENCE OF BRIEFING BY STOPPER, PRESIDENT OF SWISS NATIONAL BANK, HE HAS FORMED IMPRESSION THAT CURRENT MONETARY DISCUSSIONS HAVE CONCENTRATED ON WAYS TO COUNTER VOLATILE SHORT- TERM CAPITAL FLOWS. HE BELIEVES IT WILL NEVERTHELESS BE USEFFUL TO HAVE A DISCUSSION THAT PUTS ARRANGEMENTS FOR HANDLING SHORT- TERM ISSUES IN THE MORE GENERAL MONETARY CONTEXT.

B. AGENDA ITEM 2 - ISSUES PERTAINING TO INTER- NATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES. JOLLES SAID SECRETARIAT PAPER ON THIS AGENDA ITEM IS EXCELLENT, BUT RAISES SO MANY ISSUES THAT HE IS " PERPLEXED" TO SEE HOW THEY CAN BE COVERED IN TIME ALLOTTED. IN CIRCUM- STANCES HE IS INCLINED TO FOCUS ON THREE FACTORS UNDERLYING INTERNATIONAL INVESTMENT:

(1) IS FREEDOM OF CAPITAL MOVEMENT AND INTER- NATIONAL INVESTMENT SITLL A VALID PRINCIPLE, SUPPORTED BY ALL TO THE SAME EXTENT THAT THEY SUPPORT LIBERALIZATION OF TRADE?

(2) WTAT ARE THE CONDITIONS UNDER WHICH THIS PRINCIPLE CAN BE MADE TO FUNCTION, AND WHAT DISTRUBANCEE MUST BE AVOIDED?

(3) WHAT ARE LIMITING FACTORS ON THE PRINCIPLE OF FREEDOM OF CAPITAL MOVEMENT AND INVESTMENT, AND WHAT EXCEPTIONS AND SAFEGUARDS SHOULD BE APPLIED?

C. AGENDA ITEM 3 - SAFEGUARDS CLAUSE AND STRUCTURAL ADJUSTMENT POLICIES. JOLLEE CONSIDERS IT URGENT TO START A STUDY OF ELEMENTS TO BE INCORPORTATED IN A MULTILATERAL LIMITED OFFICIAL USE

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SAFEGUARDS SYSTEM. HE RECONGNIZES THAT THIS START MIGHT BE CONSIDERED PRE- NEGOTIATIONS AND THAT IT WILL BE NECES- SARY TO DISABUSE SOME COUNTRIES OF THIS FEAR. HE IS CONCERNED THAT INTRODUCTION OF AGRICULTURE UNDER DIS- CUSSION OF SAFEGUARDS MIGHT INCREASE CONCERN OF OTHER XCNS PARTICIPANTS AND DISTRACT ATTENTION FROM SUBJECT THAT DESERVES PRIMARY EMPHASIS UNDER THIS AGENDA ITEM. IN CIRCUMSTANCES, HE WONDERS WHETHER AGRICULTURE MIGHT BE TAKEN UP ELSEWHERE ON AGENDA, FOR EXAMPLE AS " OTHER BUSINESS."

D. JOLLES WAS EXTREMELY INTERESTED IN US VIEWS ON MANNER TO PROCEED ON NTB' S AND VIEWS EXPRESSED BY US REP TO LAST TRADE COMMITTEE MEETING (OECD PARIS 1478)9 HE ALSO INDICATED, QUITE FRANKLY, SKEPTICISM THAT POLITICAL

REALITIES IN US WILL PERMIT USG TO MAKE MEANINGFUL
PROGRESS IN THIS FIELD.

E. AGENDA ITEM 4 - DEVELOPMENT COOPERATION.

ESSENTIAL QUESTION HERE IS LDC VIEW THAT FURTHER TARIFF
REDUCTIONS IN MULTILATERAL TRADE NEGOTIATIONS WILL
REDUCE TRADE SIGNIFICANCE RESULTING FROM GENERALIZED
SYSTEM OF PREFERENCES. JOLLES DOES NOT HAVE MUCH
SYMPATHY FOR LDC POSITION THAT FURTHER TARIFF NEGOTIATIONS
WILL RESULT IN WITHDRAWAL OF AN ADVANTAGE THAT SHOULD BE
COMPENSATED. PREFERENCES ARE TRANSITORY AND VOLUNTARY
AND NO COMPENSATION REQUIRED WHEN PREFERENCE MARGIN IS

REDUCED. NEVERTHELESS ISSUE WILL COME UP IN GATT, AND
JOLLES BELIEVES DC'S MUST APPEAR RESPONSIVE AS HE
BELIEVES DC'S SHOULD ELABORATE A COORDINATED TRADE POLICY
TOWARD LDC'S, AND AS PREFERENTIAL SCHEME WAS DEVELOPED
WITHIN OECD, JOLLES CONSIDERS IT APPROPRIATE TO
DISCUSS WITHIN OECD EVOLUTION OF DC TRADE
POLICY TOWARD LDC'S.

4. WITH RESPECT TO ESTABLISHMENT OF NEW AD HOC WORKING
GROUPS, JOLLES SAID THAT XCNS WILL HAVE TO BE CAREFUL TO
INSURE THAT IT DOES NOT ESTABLISH ELABORATE AND HIGHLY
STRUCTURED BUREAUCRACY. HE EXPRESSED HOPE THAT DISCUSSION
IN XCS WILL LEAD TO NARROWING OF ISSUES WITH CONCOMITANT

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EFFECT ON NEED FOR NEW COMMITTEES.
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Disposition Approved on Date:
Disposition Authority: martinml
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Disposition Remarks:
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TAGS: EGEN, OECD
To: STATE INFO LONDON
BONN
PARIS
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TOKYO
OTTAWA
BRUSSELS

COPENHAGEN
VIENNA
MADRID
ANKARA
THE HAGUE
STOCKHOLM
OSLO
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DUBLIN
LISBON
HELSINKI
LUXEMBOURG
EC BRUSSELS
OECD PARIS
GENEVA

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